

IRS News Release

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No Change in Interest Rates for the First Quarter of 2005

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WASHINGTON — The Internal Revenue Service today announced there will be no change in the interest rates for the calendar quarter beginning January 1, 2005. The interest rates are as follows:

- five (5) percent for overpayments [four (4) percent in the case of a corporation];
- five (5) percent for underpayments;
- seven (7) percent for large corporate underpayments; and
- two and one-half (2.5) percent for the portion of a corporate overpayment exceeding \$10,000.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3 percentage points. Generally, in the case of a corporation, the underpayment rate is the federal short-term rate plus 3 percentage points and the overpayment rate is the federal short-term rate plus 2 percentage points. The rate for large corporate underpayments is the federal short-term rate plus 5 percentage points. The rate on the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the federal short-term rate plus one-half (0.5) of a percentage point.

The interest rates announced today are computed from the federal short-term rate based on daily compounding determined during October 2004.

Rev. Rul. 2004-111, announcing the new rates of interest, is attached and will appear in Internal Revenue Bulletin No. 2004-51, dated December 20, 2004.